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The President's Scratch Pad

Is "Complacency" the Whole Answer?



ALVIN E. DODD

Donald Nelson's announcement that war production failed to meet its hoped-for schedules during May and June, and his warning that our industrial effort was "not good enough," come as something of a

shock to a nation that was beginning to take great but apparently inordinate pride in its production record. Mr. Nelson has taken us down a peg; evidently we are not so good as we think we are.

In the voluble press comment following the WPB Chairman's statement, the word "complacency" was repeated time and again with wearisome monotony. In fact, the repetition was such as to give rise to the suspicion that editorial writers are somewhat ignorant of what goes on in war factories and of what production problems are. If not, then they evidently have not the space in their columns to cite all the causes of production failures. But to impute a charge of "complacency" against industry as a whole is to do a rank injustice to thousands of executives and workers in companies that have never failed to meet whatever production schedules were set for them. Complacency (unpleasant word that it is) obviously does not contain the whole answer. It is merely a plausible but certainly inadequate and unfair way of explaining the production letdown.

Unfortunately, the WPB has not been able to disclose what industries and companies have failed to meet their quotas. Nor has it attempted to give specific reasons for these failures. The latter information, however, would prove a boon to the nation's production effort because it would throw light where light is needed and might indeed effect a change of philosophy in our approach to the coordination and administration

of the national production program. Consider what it would mean if government, management, labor, and the public had wholly objective and honest answers, for example, to the following questions: Among the plants that did not meet their production schedules, was there a common reason for this failure? What was the rate of employee turnover in each plant? What has been the industrial relations background of these concerns, and what is their present labor situation? How many of the plants have so-called closed shops? What form of compensation is used for rank-and-file employees? How many of these plants had previously received Army and Navy Production Awards? What percentage of the failures can be traced to the fact that the companies lack adequate industrial relations programs? Finally—and this is the burning question—what percentage of the failures can be traced solely to a complete letdown in the spirit and enthusiasm of management and the employees?

If a sound body of data were assembled answering these and other questions, and if intelligent revisions were made on the basis of this information in the policies of government agencies concerned with war production as well as in the policies and the procedures of industry itself, our munitions output would far exceed any goals that our military leaders could set. The War Production Board, the War Labor Board, the War Manpower Commission, etc., make decisions and establish policies based on the production programs' needs, as the administrators of these agencies see them. But have all these decisions been the right ones, and how many of them now need revision?

In many instances, production is being carried forward under conditions that are tolerated only because of familiarity with them. If, as Mr. Nelson says, "the American industrial front faces a staggering job in the months ahead," perhaps cathartic measures are indi-

(Continued on page 4)

TRENDS IN BUSINESS

Over-all Production Demand Unlikely to Slacken Despite Contract Cancellations

The "end of the beginning" has become the "beginning of the end," but only over-optimism—"almost criminally careless" over-optimism, according to Secretary Knox—sees the end of the end just around the corner. And contract cancellations notwithstanding, there is little likelihood of any over-all cut in the war program. Despite soaring indexes, the country is actually behind schedule. Production during the last half of 1943 must top the figure for the first half by 50 per cent if the year's goal is to be met.

Shifts there will be. Construction has been hit, and machine tools are feeling the pinch. But new needs are developing. As the United Nations push the Axis back from country after country, there will be an ever-increasing need for supplies and industrial equipment abroad. Relief programs for countries yet to be liberated have already been drawn up by governments in exile and submitted to the Office of Foreign Relief and Rehabilitation Operations in Washington.

A Softer War?

For the civilian economy, the outlook is mixed. Since the Department of Agriculture estimates that the harvest this year will be 12 per cent under that of 1942, and more food will be needed abroad as the number of occupied countries rises, it does not appear likely that there will be any great liberalizing of food programs. Signs of a softer war, however, are not lacking. In the gasless East, civilian morale is being bolstered by automobile vacation trips. The WMC is taking cognizance of the laundries' manpower situation. And civilian hard goods are creeping back into production, notably such household gadgets as carpet sweepers, ice picks, meat grinders, and pot scourers.

Inflation Threat Unabated

More gadgets, however, will hardly compensate the little man for the cut in his savings which the gathering clouds of inflation portend. Any substantial rollback of prices appears unlikely, and OPA seems powerless to curb very much of the chiseling going on in the corner grocery store and the butcher shop down the street. Meanwhile, labor serves notice, "Price control, or else—" and the Little Steel formula's chances of survival are not of the best.

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The Business Outlook

GENERAL BUSINESS

With industry nearing peak utilization of its present capacity, the rise in production assumed a soberer pace during the past month. National income, meanwhile, continued to flow to the American people in a phenomenal tide that has swept away all former records established in the "Roaring Twenties." Since everything except money is becoming progressively scarcer, this rise in consumer purchasing power has multiplied the difficulties of inflation control.

On the European war front the Allied offensive has gathered momentum, and the invasion of Sicily has brought us one major step nearer to the knockout blow. Domestic developments, however, have been disturbing to some extent. Disorganization among government agencies, strikes, race riots, black markets, and similar problems are symptomatic of a lack of unity that cannot but hinder the war effort. Meanwhile, consumer goods scarcities are hitting home, though there is mounting evidence that the civilian economy is coming in for more consideration—as witness the increased attention given consumer needs in the WPB's new production schedules.

CORPORATE PROFITS

The trend of corporate profits continues favorable. For the first quarter of this year, net corporate profits after taxes were 18 per cent higher than in 1942; and, while the profit line is expected to flatten out in the remaining quarters, the increase for the year as a whole should be 10 per cent over last year, *other things being equal*. However, according to *Business Week*, "other things are not equal. With both volume and the tax-take tending to flatten out this year, the key factors in the profits trend become prices and costs—and the squeeze between them. For, fundamentally, prices are fixed while costs are rising. . . . Basically, ceilings and renegotiation limit corporate prices. And while wage stabilization does tend to anchor basic pay rates, nonetheless labor costs rise with the manpower shortage. Corporations must employ workers for longer hours at time-and-a-half pay; entrance rates must be lifted to attract new workers, and skill differentials raised to hold key employees. More man-hours must be bought for the same work because, in the aggregate, labor efficiency is declining. . . . If, initially or ultimately, the wage front breaks, business cannot long afford to hold to government-set contract or ceiling price lines."

SOURCES:

Alexander Hamilton Institute
Brookmire, Inc.
Business Week
Cleveland Trust Company
Dun's Review
Federal Reserve Bank of
New York
National City Bank

PRODUCTION

Total volume of production in June recorded a gain of 15 per cent over last year. Light consumer goods, however, recorded declines which brought non-durable output slightly below last January's level.

While output of planes, ships and munitions has continued to increase at a moderate pace, war production fell behind schedule in May for the fourth time in five months. Production for the Army Ground Forces in May was 5½ per cent behind schedule and 3½ per cent below the April level. This drop, according to Under-Secretary of War Patterson, was due to "over-confidence inspired by the Tunisian victory; failure to appreciate the gravity of the situation, evidenced by the coal and Akron strikes; baseless rumors of vast quantities of supplies being stored up in America; effects of the Midwest floods; and a mistaken belief that quantities of materials would shortly become available for converting many war facilities to the production of civilian goods."

The 1943 over-all war program was set earlier this year by the WPB at \$106,000,000,000, some 80 per cent above the 1942 total of \$59,000,000,000. A 50 per cent speed-up in the pace of war production will be necessary during the remainder of the year to meet this goal.

LABOR AND WAGES

Under the stimulus of war orders, payrolls in manufacturing industries have advanced sharply over last year. This trend has been accentuated by intermittent labor strikes and the adoption of the 48-hour week.

The shift to essential, more highly

paid work continues. Indicative of this is the increase in employment in durable goods at the expense of non-durable lines, in which working forces have been declining since January.

With only 2 per cent of the nation's normal labor force now unemployed, the question of how we shall meet 1943-44 military and industrial manpower requirements continues to overshadow other labor problems.

CONSTRUCTION

As a result of the continued sharp curtailment in construction, building permits in June (exclusive of war construction) fell below the May volume; but the year-to-year drop of 33 per cent was the smallest recorded so far in 1943. The six months' average drop for the country was 55 per cent. "The building recession is not a reflection of any slump in the people's purchasing power," declares Alexander Hamilton Institute. "It is due to completion of a major part of the construction work needed to meet war requirements, and to government restrictions on non-essential operations."

HEARD AT AMA MEETINGS

Looking Ahead in Insurance

Widespread postwar changes in the insurance field were forecast by Harry Klein-Smith, of the New York State Insurance Department, in an address before the recent AMA Spring Insurance Conference. The more important of the changes predicted by the speaker include: (1) broader coverages under present insurance policies; (2) more general use of the newer coverages available; (3) the provision of comprehensive policies affording complete protection against all property losses or against legal liability for personal injury and property damage. Some observers express the opinion that both fire and casualty coverages will soon be written by a single corporation, and others hold that combined policies written jointly by fire and casualty companies can be developed to meet all requirements. Further, both employers and employees are becoming "social insurance" minded, according to Mr. Klein-Smith, and many new forms of social insurance are thus likely to be developed. Changes such as these would demand sweeping adjustments in the viewpoints and methods of insurance companies, producers and buyers.

RESEARCH DEPARTMENT

Women's Counselors

During the past several months, the Research Department has been following with interest—and not without some concern—the development of counseling programs for women war workers. The function is usually assigned to one or more “women’s counselors.” The same position goes by a variety of other designations—matron, house mother, supervisor of women, women’s adviser, etc. The affirmed purpose of the counselor’s work is to effect a more speedy orientation and a more facile integration of the great body of women entering industry. Counselors are found primarily in the newer war production organizations—in shipyards, ammunition factories, ordnance plants, etc. They are also being appointed in some long-established companies which are employing women on production jobs for the first time.

The place of women’s counselors in the personnel scheme is as yet somewhat difficult to define. It has been aptly characterized as occupying “a sort of twilight zone between the actual production-line job and the industrial relations administrative official.” Sometimes the counselors are members of the industrial relations or personnel department; in other instances they appear to be organized in a separate unit, working with, but independent of, the latter department.

It is this lack of clarity with respect to the status of women’s counselors which is the source of misgivings on the part of professional personnel people. Are the women who are being used in these counseling posts acquainted with the policies and practices of sound personnel administration? Are they qualified to perform the duties involved? On these latter points, available information and newspaper accounts have not always been too reassuring. Counselors appear to have been chosen because of “experience in raising families,” because they are “motherly,” because they “like and understand people,” because they are “the wives of physicians.” All these qualifications may be valuable, but, in themselves, they hardly constitute acceptable bases for the personnel relations job that is undoubtedly involved.

A recent bulletin of the Women’s Bureau of the U. S. Department of Labor* seeks to outline the duties of women’s counselors as these exist in several plants. In general, the counselor is said to be the point of liaison between

WHAT Managers Are Saying

Government’s Stake in Industry

“The government now owns industrial plants valued at more than 14 billion dollars. Perhaps half of this is owned by the Defense Plant Corporation. Important fractions are also owned by the Army and Navy. Nearly all of this vast equipment is operated under various types of leases and contracts. Most of this plant is modern to the last degree. Some of it is adapted primarily to the production of war products; other parts of it can be turned to peacetime production almost immediately.

“The competitive impact of this government-owned plant, as it finds its way into the production of civilian goods, is bound to be significant.

“The aircraft industry provides a striking example. The \$2,675,112,000 which the Defense Plant Corporation will have invested in aircraft and aircraft accessories plants will exceed by about ten times the entire assets of all aircraft manufacturers before the war.

“Business needs to have thought as to the best way in which this plant can be made a part of our national peacetime equipment. Should these plants remain in government hands, operated for peace purposes on a lease basis? Should they be offered on the market and bought competitively by private owners? Should the government hold them as a reserve against future war or other needs? If the government sells them, how shall purchase be financed? For example,

shall less modern and less useful plants be accepted as a trade-in? If so, what shall the government do with the plants it thus receives? From one source there has come a suggestion that these plants be operated after the war by a partnership of government and business. I suspect that most business men would regard this kind of arrangement somewhat skeptically.”—*Leverett S. Lyon, Chief Executive Officer, The Chicago Association of Commerce.*

Making Workers Tool-Conscious

“Cutting tools are now being used by about 10 million workers, many of whom never handled such tools before. Deliveries of these tools are approximately four months behind schedule. With the demand so greatly outstripping the supply, every tool that is broken or dulled through careless handling means less war production.

“Rules which are followed by experienced workmen include changing tool bits before they get too dull; using guides to locate jig-holes; keeping spacing collars clean and parallel; and, above all, putting tools away carefully.

“We must get across to the workers the fundamental idea that tools are war weapons and that they must be as well cared for as guns.”—*George H. Johnson, Director, Tools Division, War Production Board.*

women workers and the management. It is her function to indicate to management the physical changes in plant and equipment that should precede the introduction of women on production. To the women she interprets company policies, safety regulations, and the rules of conduct.

The Richmond shipyards in the San Francisco Bay area have developed an extensive counseling program, the nature of which is perhaps representative of the scope of this work in other war industries. The counselor’s job, as described by a company representative, is to (a) know and understand women employees; (b) help them with their working and personal problems; (c) make easier the transition from normal home life to shipyard employment; and (d) assist supervisors directing the work of women.

More specifically: “The counselors hold the induction program for new employees. They speak briefly to them concerning attitude toward their work, their co-workers, and toward their supervisors; matters pertaining to conduct, health, clothing, observance of safety rules, and yard procedure are also discussed, followed by a tour of the yard.

“The counselor spends a considerable part of her time contacting production

supervisors to assist them in the effective employment of women. . . . The counselor is constantly on the alert in her field observations to discover new ways in which women can be utilized in shipbuilding and to continue job analysis. . . . There is continual necessity for the counselors to check the women for proper work clothing, to advise those not dressed according to the desired standards.”

It has not been the intent here to evaluate the counseling function, since sufficient information on the results which are being realized from this development is not yet available. We merely inject this word of caution: Legitimate personnel administrators have waged a winning fight against the incipient paternalism and the pseudo-scientific character of much that goes under the guise of “personnel work.” They are striving constantly to restrict the field of personnel relations to individuals who are qualified by virtue of training and experience to perform the duties involved. If counseling is a necessary function—as well it may be in the face of new conditions in industry—care should be taken that the work is organized on a sound personnel basis and is entrusted to suitably qualified practitioners.

* *Women in Personnel and Industrial Relations Work in War Industries*, March, 1943.

Activities of the AMA

Fall Conference On Manpower Stabilization

A Conference devoted to Manpower Stabilization will be held by the Personnel Division of AMA at the Hotel Pennsylvania, New York City, on September 28th, 29th and 30th. Plans for a series of sessions designed to seek the reasons and remedies for employee turnover, absenteeism, and other unsettled manpower supply conditions are going forward under the direction of L. A. Appley, AMA Vice President in charge of the Division, and Deputy Chairman and Executive Director of the War Manpower Commission.

Questionnaires and letters received from various member companies evidence keen interest in methods of stabilizing working forces within both companies and industries. Among the probable topics of discussion, as indicated by current interest, are:

- Methods of Curbing Employee Turnover
- Future Policies of the War Manpower Commission
- Implications of Smith-Connally Anti-Strike Act
- Policies of War Labor Board
- Outlook for Passage of a National Service Act
- Techniques of Employing Part-Time Workers
- New Trends in Incentive Compensation
- Recruiting and Developing Supervisors
- Job Evaluation as a Tool in Wage Stabilization
- The Future of Wage Levels

EXECUTIVE AND FINANCE COMMITTEES ANNOUNCED

The Board of Directors of AMA has announced that the following executives will comprise its Executive and Finance Committees during the coming year:

Executive Committee: Thomas Roy Jones, President, American Type Founders, Inc. (Chairman); Lawrence A. Appley, Vice President, Vick Chemical Company; Dwight L. Armstrong, Vice President, Armstrong Cork Co.; Harold V. Coes, Vice President, Ford, Bacon & Davis, Inc.; William J. Graham, Vice President, The Equitable Life Assurance Society; Keith S. McHugh, Vice President, American Telephone and Telegraph Co.; and Ernest F. Rumpf, Vice President, Pittsburgh Coal Co.

Finance Committee: Harold V. Coes, Vice President, Ford, Bacon & Davis, Inc. (Chairman); James L. Madden, Third Vice President, Metropolitan Life Insurance Co.; H. C. Perry, Treasurer, Heywood-Wakefield Co.

New AMA Vice Presidents



HENRY E. NILES

Henry E. Niles, newly elected Vice President of AMA in charge of the Office Management Division, is Secretary of the Baltimore Life Insurance Company and also head of the Field Organization Branch of the Organization and Planning Division of the OPA. In his work for the OPA, Mr. Niles is concerned with the organizational problems of the eight regional offices, 105 district offices, and 5,500 local boards. The total field force in these offices numbers about 50,000 persons.

Graduate of Johns Hopkins University, Mr. Niles was for several years assistant manager of the Life Insurance Sales Research Bureau; and for a considerable period he acted as a consultant in management—specializing almost entirely in the clerical field—in partnership with Mrs. M. C. H. Niles. His consulting experience included work with offices of varying sizes, mainly among life and casualty insurance companies.

Mr. Niles is co-author with Mrs. Niles of *The Office Supervisor—His Relations to Persons and to Work*.

The President's Scratch-Pad

(Continued from page 1)

cated. This will take courage, of course, but what a mean and different kind of courage from that of the young men who are doing the real fighting for us!

These men on far-off fronts would find it hard to understand our faltering in the face of even such a difficult task. Already some of them have a sense of foreboding as the result of reported vacillation on the home front. Witness the fol-



ERWIN H. SCHELL

Erwin H. Schell, Vice President of AMA in charge of the Production Division, is head of the Department of Business and Engineering Administration of the Massachusetts Institute of Technology. A widely known authority in the production and engineering field, Professor Schell became a member of the staff of M.I.T. after long experience with production problems in various industries. Among companies with which he has been associated are American Locomotive Co., U. S. Cartridge Company, American International Shipbuilding Corp., and Henry F. Miller & Sons.

Long active in the AMA and other management organizations, Mr. Schell was awarded the Gilbreth Medal in 1938. Among his books are *The Technique of Executive Control* and *New Strength for New Leadership*.

lowing lines written on the inside of a cigaret package found among the belongings of a U. S. Marine killed in action in the South Pacific the morning following its writing:

And if our lines should form and break

*Because of things you failed to make,
The extra tank or ship or plane
For which we waited all in vain,
And the supplies that never came,
Will you then come and take the blame?*

*For we, not you, will pay the cost
Of battles you, not we, have lost.*

Alvin E. Dodd

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